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1. Although the Chinese Communist Government controls all exports through the control of foreign exchange, private interests are allowed to carry on while the Government completes reorganization of all unions, cooperative societies, and collectives.
2. The taking over of private enterprises, stocks, factories, and other assets will come suddenly, and probably not later than June 1950. While the Government is preparing for this takeover, however, it will probably accord private business more freedom than now in order to encourage the individuals composing it to expose their assets and connections, and thus to expedite the final seizure.
3. In reality the Government has already begun its inroad on industry by heavy taxation on enterprises considered non-essential, and by the acquisition of control over some industries. The confused situation thus created has proved unsatisfactory to the Government in that the government-controlled companies have had to purchase on the market in competition with private interests, and sometimes to purchase from private interests. Government-controlled companies have been unable to offer significant quantities of exportable goods because private holders of export cargoes are loath to sell without assurance that they can replace their stocks. Although huge quantities of all types of export cargo are sitting in the warehouses of private companies, ships carrying Communist exports regularly to Hong Kong arrive there four-fifths empty and carrying only the most non-essential type of cargo.

This document is hereby regraded to
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letter of 16 October 1978 from the
Director of Central Intelligence to the
Archivist of the United States.
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